

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4

In the Matter of:

Hilcorp Energy Company
Annie Hill Natural Gas Well Site
Mobile County, Alabama

Respondent.

Administrative Compliance Order
Docket No.

ADMINISTRATIVE COMPLIANCE ORDER

A. PRELIMINARY STATEMENT

1. This Administrative Order (“Order”) is issued under the authority vested in the Administrator of the U.S. Environmental Protection Agency (EPA) by Section 113(a) of the Clean Air Act (“CAA” or “Act”), 42 U.S.C. § 7413(a)(3) and (4).
2. On EPA’s behalf, the Region 4 Director of the Air, Pesticides and Toxics Management Division has been delegated the authority to issue this Order under Section 113(a) of the Act.
3. Respondent is Hilcorp Energy Company, a corporation doing business in the state of Alabama. Respondent is a “person” as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e).

B. STATUTORY AND REGULATORY BACKGROUND

4. 40 CFR Part 60 Subparts A and OOOOa are New Source Performance Standards, and were established pursuant to Section 111 of the CAA, 42 U.S.C. § 7411. These New Source Performance Standards regulate specific categories of stationary sources and establish technology-based standards applicable to air pollutant emissions.
5. 40 CFR Part 60 Subpart A, the General Provisions, apply to owners or operators of any stationary source which contains an affected facility. The applicable parts of the General

Provisions, include § 60.11(d), which states: at all times, including periods of startup, shutdown, and malfunction, owners and operators shall, to the extent practicable, maintain and operate any affected facility including associated air pollution control equipment in a manner consistent with good air pollution control practice for minimizing emissions.

6. 40 CFR Part 60, Subpart OOOOa, “Standards of Performance for Crude Oil and Natural Gas Facilities for which Construction, Modification or Reconstruction Commenced After September 18, 2015” apply to each storage vessel affected facility, which is a storage vessel with the potential for VOC emissions equal to or greater than 6 tons per year. The applicable parts of Subpart OOOOa, includes § 60.5411a (d)(1) which states that all emissions from the storage vessels should be routed to the control device.

7. Section 112(r)(1) of the Act, 42 U.S.C. § 7412(r)(1), also called the general duty clause, is aimed at preventing the accidental release of any substance listed pursuant to Section 112(r)(3), “or any other extremely hazardous substance,” and minimizing the consequences of any such release that occurs. The substances listed pursuant to Section 112(r)(3), 42 U.S.C. § 7412(r)(3), are located at 40 C.F.R. § 68.130. The owners and operators of stationary sources producing, processing, handling or storing such substances have a general duty, in the same manner and to the same extent as section 654, title 29 of the United States Code, to: [i] identify hazards that may result from releases using appropriate hazard assessment techniques; [ii] design and maintain a safe facility taking such steps as are necessary to prevent releases; and, [iii] minimize the consequences of accidental releases which do occur.

Commented [AM1]: Is sweet gas included in this?

8. Section 654 of title 29 of the United States Code codifies the general duty clause of the Occupational Safety and Health Act of 1970. The standard for applying the general duty clause of the Occupational Safety and Health Act was described in *Secretary of Labor v. Duriron*

Company, Inc. 11 OSHC 1405. The *Duriron* case is cited in the legislative history of the CAA general duty clause as a guide for EPA's application of the CAA general duty clause. According to *Duriron*, the general duty under the Occupational Safety and Health Act requires an employer to render a workplace free of hazards that are recognized either by the employer or generally within the employer's industry and that cause or are likely to cause death or serious harm or substantial property damage, where it is feasible for the employer to have eliminated or materially reduced the hazard. *Duriron* at 1407

C. FINDINGS

9. Hilcorp Energy Company (Hilcorp or Respondent), is the owner and operator of a raw sour natural gas well site located in in Chunchula, Mobile County, Alabama (Annie Hill).
10. Annie Hill extracts a mixture of natural gas, water, and oil from the ground at the facility, and then separates them on the well site. The Hilcorp Annie Hill well site consists of a well-head, separator, heater treater, storage tanks, and a flare. After the gas is received and separated at the well site it is then sent to Hilcorp Hatters Pond.
11. The Annie Hill natural gas well site is a stationary source under Section 112(r) of the CAA. Section 112(r)(2)(C) of the CAA defines "stationary source" as "any buildings, structures, equipment, installations or substance emitting stationary activities (i) which belong to the same industrial group, (ii) which are located on one or more contiguous properties, (iii) which are under the control of the same person (or persons under common control), and (iv) from which an accidental release may occur." The Annie Hill natural gas well site is comprised of structures, equipment, installations and other substance emitting stationary activities, in the same industrial group, located on contiguous property under the control of Hilcorp, from which an accidental release may occur.

12. The Annie Hill natural gas well site produces, processes, handles or stores substances that are listed at 40 C.F.R. § 68.130, namely: methane, ethane, propane, butanes, and pentanes, according to a certificate of analysis that Hilcorp provided to EPA.

13. On August 16, 2017, EPA inspectors conducted an air compliance evaluation of the Hilcorp Annie Hill well site utilizing a Forward Looking Infrared Gas Finder Camera (FLIR)® and a Toxic Vapor Analyzer (TVA).

Commented [AM2]: Log books say we had it but there are no numbers for any releases, should I keep this?

14. The FLIR camera is an imaging technology that uses infrared radiation to detect various gases and hydrocarbons. The FLIR camera can visualize chemicals that absorb infrared radiation between 3.2 and 3.4 microns (µm). The chemicals methane, ethane, propane, butanes, and pentanes all have strong absorbance bands between 3.2 and 3.4 µm, within the FLIR camera's detectable range, and such chemicals are made visible with the FLIR camera.

15. During the EPA's inspection, the FLIR camera detected continuous releases of regulated substances from the pressure relief valve on the two condensate storage tanks at Hilcorp's Annie Hill natural gas well site. The FLIR camera also detected emissions leaking from a capped scrubber that is connected to the unpermitted portion of the facility that was shut down on June 8th, 2016. The regulated substances listed at 40 C.F.R. § 68.130, being released include methane, ethane, propane, butanes, and pentanes. The FLIR camera made the release of these substances visible

16. Pressure Relief Valve. The FLIR camera detected continuous releases of regulated substances, including methane, ethane, propane, butanes, and pentanes from the pressure relief valve into the ambient air, during the EPA's inspection. This pressure relief valve was connected to both of the condensate storage tanks and was releasing emissions consistently regardless of the connected vapor recovery unit running. This release demonstrates, at a minimum, Respondent

has failed to operate the facility in a manner consistent with good air pollution control practice for minimizing emissions, and is in violation of 40 CFR 60.11 (d). This release also demonstrates that not all emissions were routed to the control device and is in violation of 40 CFR § 60.5411a(c)(1).

17. Capped off Scrubber. The FLIR camera detected continuous releases of regulated substances, including methane, ethane, propane, butanes, and pentanes from a capped off scrubber into the ambient air during the EPA's inspection. After investigating, it was found that this scrubber was part of a process of the facility that was shut down and unpermitted on June 8th, 2016. This release demonstrates, at a minimum, Respondent has failed to design and maintain a safe facility taking such steps as are necessary to prevent releases, and is in violation of Section 112(r)(1) of the Act.

18. Hilcorp personnel were present during the on-site evaluation with both the FLIR camera and the TVA.

19. The hazard posed by leaking natural gas is a hazard recognized in the industry and in the general public as one that is likely to cause death, serious injury and/or substantial property damage.

Commented [AM3]: ? sweet gas

20. There was a feasible means by which Hilcorp could have designed and maintained a safe facility to minimize or eliminate the hazard of leaking natural gas, including implementing a directed inspection and maintenance program among other things.

Commented [AM4]: Just say gas?

E. ORDER

21. Respondent is ordered to conduct the compliance program described in this section of the Order.

22. Based upon the findings set forth above, Respondent IS HEREBY ORDERED, pursuant to Section 113(a)(3) of the Act, 42 U.S.C. § 7413(a)(3) as follows:

23. Within 15 days of the effective date of this Order as set forth in Section G below, the Respondent shall take such steps as are necessary to prevent the release of a regulated or other extremely hazardous substance as described above, including fixing, repairing, or replacing the components that led to the releases that were documented.

F. GENERAL PROVISIONS

24. Any violation of this Order may result in a civil administrative or judicial action for an injunction or civil penalties of up to \$93,750 per day per violation, or both, as provided in Sections 113(b)(2) and 113(d)(1) of the Act, 42 U.S.C. §§ 7413(b)(2) and 7413(d)(1), and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, § 701 of Pub. L. No. 114-74, 129 Stat. 599, (to be codified at 28 U.S.C. § 2461 note), as well as criminal sanctions as provided in Section 113(e) of the Act, 42 U.S.C. § 7413(e). The EPA may use any information submitted under this Order in an administrative, civil judicial, or criminal action.

25. Nothing in this Order shall relieve Respondent of the duty to comply with all applicable provisions of the Act or other federal, state or local laws or statutes, nor shall it restrict the EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or determination of, any issue related to any federal, state, or local permit.

26. Nothing herein shall be construed to limit the power of the EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment to the public health, welfare, or the environment.

27. The provisions of this Order shall apply to and be binding upon Respondent and its officers, directors, employees, agents, trustees, servants, authorized representatives, successors, and assigns. From the effective date of this Order until the Termination Date as set out in paragraph 36 below, Respondent must give written notice and a copy of this Order to any successors in interest prior to any transfer of ownership or control of any portion of or interest in the Annie Hill natural gas well site. Simultaneously with such notice, Respondent shall provide written notice of such transfer, assignment, or delegation to the EPA. In the event of any such transfer, assignment, or delegation, Respondent shall not be released from the obligations or liabilities of this Order unless the EPA has provided written approval of the release of said obligations or liabilities.

28. Unless this Order states otherwise, whenever, under the terms of this Order, written notice or other document is required to be given, it shall be directed to the individual specified at the addresses below unless such individual or her successor gives notice of a change of address to the other party in writing:

Sydnee Adams at: U.S. EPA – Region 4; Air, Pesticides and Toxics Management
Division; Air Enforcement and Toxics Branch; 61 Forsyth Street, S.W.; Atlanta, Georgia
30303; and adams.sydnee@epa.gov.

29. All notices and submissions shall be considered effective upon receipt.

30. To the extent this Order requires Respondent to submit any information to the EPA, Respondent may assert a business confidentiality claim covering part or all of that information, but only to the extent and only in the manner described in 40 C.F.R. Part 2, Subpart B. The EPA will disclose information submitted under a confidentiality claim only as provided in 40 C.F.R. Part

2, Subpart B. If Respondent does not assert a confidentiality claim, the EPA may make the submitted information available to the public without further notice to Respondent.

G. EFFECTIVE DATE AND OPPORTUNITY FOR A CONFERENCE

31. Pursuant to Section 113(a)(4) of the Act, Respondent may request a conference with the EPA concerning the violations alleged in this Order to present evidence bearing on the finding of violation, on the nature of the violation, and on any efforts it may have taken or it proposes to take to achieve compliance. Respondent may have legal counsel at the conference.
32. Respondent's request for a conference must be in writing, and must be received by the EPA within ten (10) days of Respondent's receipt of this Order. If the requested conference is held, this Order shall become effective ten (10) days after the conference is held.
33. If Respondent does not request a meeting in accordance with the preceding paragraph, Respondent waives its right to a conference, and this Order shall become effective ten (10) days from its receipt.
34. Any request for a conference, or other inquiries concerning this Order, should be made in writing to:

Sydney Adams at U.S. EPA – Region 4; Air, Pesticides and Toxics Management
Division; Air Enforcement and Toxics Branch; 61 Forsyth Street, S.W.; Atlanta, Georgia
30303; and adams.sydney@epa.gov.

H. JUDICIAL REVIEW

35. Respondent may seek federal judicial review of the Order pursuant to Section 307(b)(1) of the Clean Air Act, 42 U.S.C. § 7607(b)(1).

I. TERMINATION

36. This Order shall terminate on the earlier of the following (the “Termination Date”) at which point Respondent shall operate in compliance with the Act:

- a. One year after the Effective Date of this Order;
- b. The effective date of any determination by the EPA that Respondent has achieved compliance with all terms of this Order; or
- c. Immediately upon receipt by Respondent of notice from the EPA finding that an imminent and substantial endangerment to public health, welfare, or the environment has occurred.

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For the United States Environmental Protection Agency, Region 4:

Date of Issuance

Carol L. Kemker
Acting Director
Air, Pesticides and Toxics Management Division